VocaLoca[SM] Executive Summary

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A. VocaLoca[SM]

VocaLoca is a new Internet business that empowers individuals to create live broadcast Internet radio shows or to create "personal broadcasts" on the Internet which express his or her choices in music, talk, information and points-of-view. VocaLoca captures and unfurls the tremendous energy for self-expression on the Internet and uses the advances in technology to create a new venue for Internet content and commerce.

VocaLoca combines and extends –

- the self-expression path laid down by personal web pages, chat, and bulletin boards
- the free services model proven successful by companies such as GeoCities, Tripod and HotMail
- the growth of streaming audio technologies and the rapid decline in streaming costs
- the interactivity of high quality, moderated two-way talk

VocaLoca –

- delivers to the Internet a compelling selection of diverse and independent programming created by thousands of passionate individuals
- streams hundreds of shows simultaneously which either are broadcast live or have been recorded
- enables every Internet user to become an VocaDJ[SM] (VocaLoca Disc Jockey) and to produce his (or her) own radio show using today's technology
- provides a flexible broadcasting platform for music shows, talk shows, news shows, etc.

VocaLoca is building private label or co-branded "personal broadcast service" for leading Internet brands which will inject VocaLoca with a large volume of initial activity. As a result, VocaLoca will not incur the burden of building traffic to its service by marketing aggressively as a standalone brand as it launches. Within its first year of operations, VocaLoca will deliver a marketing program to build the value of its brand and to support its continued success in the marketplace.

B. VocaLoca SERVICE
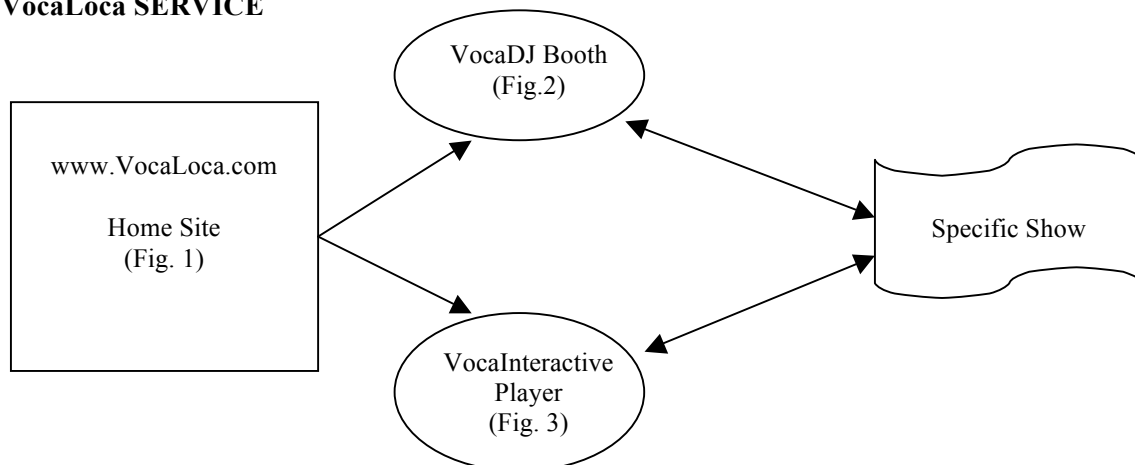
VocaLoca aggregates the content created using its services at www.VocaLoca (see Figure 1 at the end of this document). This home page offers the user immediate access to:

- thousands of shows organized in topical categories ranging from Entertainment to News to Sports
- a selection of the shows being broadcast currently and of those highlighted for promotion
- a ranking of the most popular shows and of those shows which listeners rate highest
- a sign up area to become an VocaDJ and to creates shows which express his passions

Every VocaDJ builds his own show. A Virtual VocaDJ Booth ^{SM} (see Figure 2) provides the VocaDJ with complete control of his programming. It is intuitive, easy to use and *requires no software downloads*. The VocaDJ Booth enables the VocaDJ to prepare the programming for his show in advance, if he chooses, including music and other audio pieces, such as sound effects, and to schedule the broadcast of the show, if it is not being broadcast live. Shows can be broadcast live (as they are produced), or they may be recorded for later broadcast. Recorded shows become part of VocaLoca's library and create a valuable intellectual property asset. During the production of a show, the VocaDJ Booth displays information that is essential to the production of a well-organized program:

- the playlist of upcoming music and other audio files
- a display of callers to the show which includes the identity and characteristics of the caller, e.g. Joe from Sacramento
- the control switch to determine whether a caller or the audio queue is broadcast and, importantly, which caller has the "mic"
- a text chat box for that form of live interaction with the audience
- a display of bookmarks of web resources which the VocaDJ wants to have readily available to him during the broadcast, e.g. news stories, "album liner notes," etc.
- timers which display the time remaining until the end of the music being played, until the next commercial and until the end of the show
- controls for the audio volume of the microphone and the broadcast
- access to email and instant messaging with the audience

For shows that broadcast music, VocaLoca provides the VocaDJ with a large inventory of music from leading music companies and from independent sources which VocaLoca licenses through ASCAP, BMI and SESAP. VocaLoca creates files that include hundreds of thousands of titles and stores them entirely on the VocaLoca servers. The VocaDJ does not need to record, store and upload files, although he has the option to add to his show music and other recordings that have not been stored in the VocaLoca libraries. The VocaDJ creates his show's queue using pieces from the VocaLoca library, the production resources or from his own files.

The interactive audio talk experience between the VocaDJ and the audience is unique to VocaLoca. VocaLoca offers the Internet's *only true talk-radio format* where listeners use the VocaInteractive Player to "call-in" to any show. The audio interactivity of VocaLoca enables the passion and the emotion of the audience and that of the VocaDJ to be shared. At the same time, the VocaDJ's control of the microphone enables him to produce a show with a managed dialogue. VocaTalkBack ^{SM} and the other production elements described above enable the VocaDJ to receive real-time requests and comments from the audience and to build a strong, loyal community.

The VocaInteractive Player is displayed in a simple, easy-to-use window (see Figure 3). The console provides:

- a display of the show being heard, including the VocaDJ and the music being broadcast currently
- easy access to other shows and channels
- buttons to buy CD's, merchandise, books and other items related to the show being heard
- quick links to instant messaging, email, chat, etc.
- preset buttons which can be customized for the listener's favorite shows
- iAudioTalkBack tools for talking with the VocaDJ

The VocaLoca service is built around scalable, advance streaming architecture that is designed to provide high sound quality and unlimited audience scale. Listeners use either Real Networks' G2 RealPlayer or Microsoft's Windows Media Player to access VocaLoca shows. No special software is needed. The broadcast (netcast) streaming services for VocaLoca are provided by third party companies that are very competitive with each other, so VocaLoca takes advantage of the enormous growth in streaming capacity and the falling costs for streaming on the Internet. VocaLoca is able to benefit from improving technologies and falling costs. In addition, the use of streaming means that VocaLoca has audience scalability, which other services lack.

The VocaLoca service provides its audience with an unprecedented choice of shows. Visitors are offered a vast selection of unique programs not found in today's broadcast radio. These highly focused programs are organized into categories such as sports, news, politics, shopping, and music, etc. The freedom of VocaLoca's Homestead programming brings a wide variety of content created purely by the VocaDJ's. If it can be netcast, it can be found at VocaLoca.   The most popular and the best of the shows are actively promoted by VocaLoca in its Premiere areas to ensure that visitors are guided to the "best of" shows and to reward VocaDJ's whose shows are selected.

C. VocaLoca BUSINESS MODEL

The VocaLoca business model is based on multiple revenue streams, which include advertising, e-commerce and privately sponsored netcasts. As VocaLoca grows and its content offerings become differentiated, its audiences can be presented in narrow, targeted niches, which command premium advertising rates.

Highly targeted, streaming multi-media advertising provides VocaLoca's primary source of revenue. Two fifteen-second audio ads are inserted into every audio stream in each quarter-hour. The VocaDJ knows when an audio ad is coming (from his display) and, while he can move the timing of its broadcast slightly, the audio ad will be inserted automatically into the show. Audio ads are a relatively new form of advertising on the Internet, and, thus far, they are an exceptionally effective form of advertising. A recent Arbitron study found that 60% of consumers clicked-through streaming ads which is a much larger response rate than standard Internet advertising delivers.

In addition to audio ads, VocaLoca offers multiple advertising placements on its web pages. These placements include banner ads, sponsorship buttons, paid text links and other creative forms of revenue-generating positions.

VocaLoca advertising placements are sold either by the company or by its distribution partners, which might include companies such as Excite@Home or About.com. VocaLoca has retained a highly qualified national rep firm to sell its advertising to take advantage of that firm's experience and breadth. On behalf of its clients, this firm sells conventional Internet advertising as well as advertising in print, broadcasting and direct marketing. In addition, this firm is experienced in selling audio ads on the Internet. In cases

where the company's distribution partners sell the ads, VocaLoca receives a share of revenues generated by the partner. By allowing its partners to sell ads, VocaLoca is able to benefit from the large ad sales operations of its partners and from the higher CPM's, which its partners' targeted advertising opportunities provide.

The subject specific nature of the VocaLoca shows and the multi-media format offer unique e-commerce opportunities. For example:

- the artist and title of the song being played are displayed on the VocaInteractive Player, and a direct link to an online retailer provides an easy path to purchase a CD.
- an Hawaiian vacation travelogue, which is sponsored by an airline through audio and web page ads, encourages the purchase of online tickets via links on the VocaInteractive Player.

Marketers also have the option to "buy out" their own shows, so any advertising or all advertising supports their messages.

- "Pay-per-netcast" programming provides sponsors with a vehicle to create and netcast their own shows.
- Advertising-free shows provide a platform for shows that display particular, non-commercial points of view, including shows created as a "public service" by VocaDJ's to serve specific communities.

VocaDJ's are central to the VocaLoca vision, and the most popular VocaDJ's participate in VocaLoca revenues. A portion of advertising revenue is distributed to the VocaDJ's which have substantial followings, based on the traffic that their programming delivers.

VocaLoca provides the VocaDJ's with training and support from the time they register. Online tutorials give VocaDJ's tools and tips for their shows. Message boards, chats and closed-group VocaLoca shows hosted by the professional staff reinforce the training and provide a means for building community among the VocaDJ's.

D. MARKETING AND DISTRIBUTION

VocaLoca offers an extraordinary service to existing Internet sites by providing them with privately labeled personal radio station services. These partnerships with leaders, such as iVillage or CBS SportsLine, enhance the value of the partner's services by:

- creating a source of new revenues
- increasing their reach and rank in rating services like MediaMetrix
- increasing their user loyalty
- expanding their brand presence

The management of VocaLoca has long standing relationships with people at many leading Internet companies. Although not all of these brands will elect to participate with VocaLoca, the companies with which VocaLoca is having discussions include:

- AT&T WorldNet
- Excite
- AltaVista
- About.com
- iVillage
- CBS SportsLine
- USA Today
- Bolt
- theglobe.com
- Prodigy
- Mail.com
- office.com

VocaLoca buys traffic on the Internet as well to build traffic to its generic site. A highly professional advertising and marketing program is being developed. VocaLoca produces regular email updates to remind its audience of upcoming shows, of new services and of developments to watch.

As a source of viral energy, the VocaDJ's are a key component of the marketing plan. VOCADJ's express their passionate interests, their points-of-view or their money-making ideas to the public, and they engage their audience interactively in communicating with them. VocaLoca helps VocaDJ's promote their programs and build loyal listeners. The VocaDJ's are provided with email marketing tools and other promotional devices to build their audiences and to promote themselves. Audience members who register with a show can choose to receive tips and notices of upcoming shows via email. VocaDJ's send out promotional announcements to their target audience groups, e.g. people who share their point-of-view on a topic or a demographic group, which is likely to be interested in a genre of music. VocaLoca promotes the top VocaDJ's and places them prominently within select Premiere categories.

Individuals become VocaDJ's simply by signing up. In addition, VocaDJ's are recruited from online sources, such as online message boards and music sites, as well as traditional sources, such as college radio stations. The viral nature of the VocaLoca service is its best recruitment tool.

E. COMPETITION

The online audio space is growing at "Internet speed." Some competitors in this area are noted below, along with distinctions between them and VocaLoca:

- Live365.com – no audience talk back capability and limited scalability
- GiveMeTalk.com – no audience talk back, no music shows and limited audience size per show
- RadioDestiny.com – no streaming infrastructure and limited scalability
- ImagineRadio.com – no live shows and no audience interactivity
- Spinner.com – no live shows, pre-programmed playlists only
- Broadcast.com – no user generated shows, aggregation site for commercial broadcasts

VocaLoca views this competition as validation that this segment of the Internet is taking off. VocaLoca has advantages over its competition, and its execution will determine its success.

The competitive advantages of VocaLoca include:

- offering two-way talk
- supporting both music and talk shows
- broadcasting live or pre-recorded shows
- a large library of licensed music
- standard playback tools which provide quality sound and scalability
- synchronized audio and visual ads

F. MILESTONES

June 1999	Begin building team
October 1999	Phase 1 features completed
November 1999	Phase 2 features completed
	Management team established
December 1999	Seed round financing completed
	Phase 3 features completed
January 2000	Close beta test launch
April 2000	First professional financing round close
April 2000	Open beta public site launch

G. FINANCIAL SUMMARY

	1999	2000	2001	2002
Premiere Programs (per hr.)		185	455	725
Homestead Programs (per hr.)		175	475	775
Revenue ($ in 000's)				
Multi-media Advertising		1,238	25,719	186,510
Banner Advertising		297	5,561	26,266
e-Commerce		26	469	2,755
Total Revenue		1,562	31,748	215,531
Expenses				
Cost of Sales		468	9,524	53,883
Marketing	10	5,408	15,872	45,639
Engineering	876	4,419	5,475	6,579
Gen. & Admin.	370	3,652	5,586	7,385
Content & Broadcasting	62	3,441	9,642	46,246
Total Expenses	1,319	17,388	46,098	159,732
Net Income/(Loss)	(1,319)	(15,827)	(14,350)	55,799

H. MANAGEMENT, TECHNICAL & ADVISORY TEAM

The VocaLoca founders have considerable experience building successful start-ups.

Founding Management Team

Jeffrey Radov – CEO was most recently Senior Vice President of About.com Ventures, a unit of About.com, Inc. (NASDAQ: BOUT). Jeff joined About.com shortly after its inception in 1996 and served in several key roles. As head of Business Development, Jeff established relationships with leading Internet brands, such as Microsoft, AT&T WorldNet, EarthLink, CBS SportsLine and AltaVista. As its Chief Financial Officer, Jeff was instrumental in raising over $30 million of equity in three private rounds and prepared the company for its IPO in March 1999. Today, About.com has a market capitalization of approximately $800 million. Previously, Jeff worked at Prodigy Services Company where he managed the highly successful Communities sector of that industry vanguard. Jeff has been a principal in or a founder of several companies in information services, film financing and broadcasting. His past associations include Bell Atlantic, Cablevision Systems Corporation, Sony Corporation's Columbia Pictures and Merrill Lynch. Jeff holds a B.A. from Cornell University and earned an M.B.A. from The Wharton School of the University of Pennsylvania.

Jaggi Ayyangar -- COO was the Vice President of Engineering at eSaler.com, a developer of Internet e-commerce transaction systems. Jaggi was the Founder and CEO of nirWANa which created "web transformation software" and Java-based group calendaring applications. He was a Co-Founder and Vice President of Engineering at Token Technology, which invented "Remote Node" communication servers. Jaggi began his professional career at ROLM/IBM/Siemens Corporation. The experience Jaggi gained in the areas of streaming frameworks and networks with these start-ups has been the basis for the VocaLoca

technology development. Jaggi holds an undergraduate degree in Engineering from I.I.T. in Bombay, India and an M.S. in Computer Science from Louisiana State University.

Mamoru ("Itch") Iguchi – Vice President for Strategic Happiness brings fifteen years of sales and marketing experience to the founding team. Itch was most recently head of sales for the Ambit division of Cadence Design Systems, which provides computer aided design and development tools to the technology industries. Prior to Ambit, Itch was a member of the founding management team at About.com. Itch created distribution deals to develop traffic for that service and was also the head of International Business. Itch earlier held senior management positions in sales, business development, and marketing at Computervision Corporation and Digital Equipment Corporation. Itch earned his B.S. from Trinity College (Hartford, CT).

Daniel Ho – Co-Founder, Vice President of Be Serious and Controller, was part of the founding team of Ambit Design Systems, which was later sold to Cadence Design Systems. Prior to Ambit, Daniel was the President of River Systems, Inc., a software-consulting firm. Previously, Daniel worked in the software industry at Valid Logic Systems and Analog Design Tools and was the Technical Director of Pen Magazine. Daniel is an alumnus of the University of Texas with both a B.S. and a Masters degree in Electrical Engineering.

I.   MARKET DATA

The Internet Online advertising market is increasingly being driven by commerce-enabled audio streaming. Some key statistics define this emerging multi-billion dollar market:

- Internet is the fastest growing *"listening"* media in history (Arbitron NewMedia/Edison)
  - 41 million unique Internet users listened to online music and news audio in August 1999 (AMR Research)
  - Registered users of Internet radio software growing at 1 million per week. Over 80 million users today. (ARC Group/Global Information, Inc. September 1999)
  - 30% of online Americans have listened to music on the Web. (Arbitron NewMedia/Edison)
- Online advertising is expected to grow to *$11.5 billion* in 2003. (InternetNews.com 8/19/99)
- Advertisers spent *$13.6 billion* on radio in 1997. (Radio Advertising Bureau 1998)
- 43% of Internet radio listeners are likely to buy online vs. 30% for non-listener Internet users
- 20% have purchased CDs on the Web – the number one Web purchase
- Online music sales projected to reach $1.6 billion by 2002. (Jupiter Communications)

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Figure 1: VocaLoca Home Site

Figure 2: Virtual VocaDJ Booth and VocaPlalist Editor

Figure 3: VocaInteractive Player (Listener Screen)